Assessment Solutions

Theme 4: What Is Taxed and Why Lesson 2: Taxes in a Market Economy

Part 1

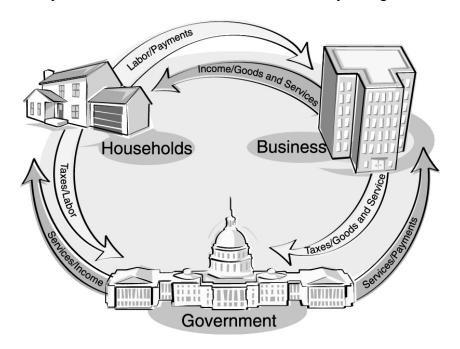
Match the clues with the correct term. Write the letters of the correct terms on the lines provided.

Answer Key:

- **A.** businesses
- **B.** increases
- C. households
- **D.** decreases
- E. government
- **E** 1. Who relies on tax revenue from the market economy?
- **C** 2. Who do businesses provide jobs and income for in exchange for labor?
- A 3. In addition to households, this group also is required to pay income taxes.
- **B** 4. What generally happens to income tax revenue when incomes go up?
- **D** 5. What happens to sales tax revenues when consumers purchase less?

Part 2

Complete the circular flow model shown below by filling in the blanks.



Part 3

Match each item below with the sector it best describes. Write the letters of the correct sectors on the lines provided. Sectors can be used more than once.

Answer Key:

- **A.** business
- **B.** government
- C. household
- **C** 1. Earns income and purchases goods and services
- **B** 2. Provides services and collects taxes
- **B** 3. Collects taxes and uses labor
- **C** 4. Supplies labor and makes payments
- A 5. Pays taxes and provides goods and services